

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN  
HOWARD COUNTY RETIREMENT PLAN**

**JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

**July 24, 2014**

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, July 24, 2014 at 1:30 p.m. in the Columbia/Ellicott City Room, George Howard Building, 3430 Courthouse Drive, Ellicott City, Maryland 21043.

**Police and Fire Plan:**

**Members Present:**

Human Resources Administrator: Todd Allen  
Director of Finance: Stanley Milesky  
Chief Administrative Officer: Lonnie Robbins  
Representative, Fire and Rescue Supervisory Employees:  
    Joseph L. Calo, II (Non-Voting Member in Fiscal Year 2014)  
Representative, International Association of Firefighters, Local 2000:  
    Richard Ruehl  
Representative, Howard County Police Officers' Association, Lodge 21:  
    Mark Thomey

**Members Absent**

Budget Administrator: Ray Wacks  
Representative, Police Department Supervisory Employees:  
    Jason Luckenbaugh (Voting Member in Fiscal Year 2014)

**Employees Plan:**

**Members Present:**

Human Resources Administrator: Todd Allen  
Chief Administrative Officer: Lonnie Robbins  
Deputy Director of Finance: Rafiu Ighile  
Representative, American Federation of State, County and  
    Municipal Employees Local 3080: Kim Drennon  
Representative, American Federation of State, County and Municipal  
    Employees Local 3085: Dale R. Chase

### Members Absent

Budget Administrator: Ray Wacks  
Employee Representative: Nicole Griffith

Also present for all or a portion of the meeting were:

Steve Peters, County Auditor's Office  
Sima Taghavi, Department of Finance  
Gary Kuc, Howard County Office of Law  
Eric Ralph, Summit Strategies Group  
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.  
Terry Reider, Retirement Coordinator, Office of Human Resources  
Chuck Lindenberg, Representative of Local 3085

Todd Allen acted as Chair of the meeting and Paul Madden acted as Secretary. The minutes of the June 26, 2014 meeting were unanimously approved by the members of both Committees.

Scott Reed, John Dickie and Geoff Le Mieux of FLAG Capital Management presented a report on the performance of FLAG Private Equity V, LP ("FPE V"). Geoff Le Mieux reported that FLAG was founded in 1994 and is dedicated solely to private capital strategies. FLAG has approximately \$6.5 billion in assets under management and has over 60 professionals firm wide.

The Plans committed \$15 million to FPE V in the fourth quarter of 2013. John Dickie reported that the Fund is off to a good start. At this point, most managers are in place with only one more manager to be added. The Fund is 90% committed and 30% called. The Fund is also out of the J-curve in only one year. The Fund projects distributions of \$5 million in 2014.

The FPE V is a fund of funds focused on the lower end of the North American market which means companies with an enterprise value of \$250 million or less. It is a relatively concentrated portfolio consisting of 12 to 14 fund investments. Mr. Dickie reviewed each of the funds to which FPE V has committed capital to date. In addition, he reviewed in further detail the commitment to Tengram Capital Partners. FLAG Capital Partners has a database consisting of 1,000 private equity managers out of which commitments were made to 12 to 14 managers. Mr. Dickie indicated that the Fund's goal is a 2.0 multiple of invested capital after eight years and an internal rate of return of 20%. Mr. Dickie indicated that there is no anticipated headline risk with any of the managers in which FLAG invests. Their team does extensive due diligence before making commitments to any managers.

After completing their presentation and addressing questions from the Committee and consultants, Messrs. Dickie, Reed and Le Mieux left the meeting.

Next, Martha Tredgett and Ryan Green provided a report to the Committee on LGT Capital Partners. The Plans have made two commitments to LGT funds. In 2011, the Plans made a commitment of \$14 million to Crown Asia-Pacific Private Equity II ("CAPE II"). CAPE II is an international private equity fund of funds. In 2012, the funds made a \$10 million commitment to Crown Global Secondaries III ("CGS III"). CGS III is a secondaries fund of funds.

LGT has approximately \$50 billion in assets under management of which \$22 billion is in private equity. Martha Tredgett noted that CAPE II provides exposure to small-middle market buy-out and growth capital funds in the Asian-Pacific emerging markets, predominately China, India and Southeast Asia. CAPE II had a final close in April of 2013. Its internal rate of return as of March 31, 2014 was 4.26%.

CAPE II has a fund size of \$418 million. CAPE II has committed 73.5% of capital and called 37%. As of March 31, 2014, the fund had 15 primary commitments, six secondary transactions and three co-investments. The program is still at an early stage. Ms. Tredgett reviewed the funds in which CAPE II has invested and reviewed in detail the investment in Nepoch Fund I.

Ms. Tredgett also reviewed the County's investment in CGS III. CGS III is still in the build-up phase with 29 transactions completed and 36% of capital committed. CGS is off to a good start. After completing their presentation and addressing questions from the Committee and consultants, Ms. Tredgett and Mr. Ryan left the meeting.

Next, Ian Lane and Peter Lipson presented a report on the Plans' investment in HarbourVest. The Plans invested \$15 million in the HarbourVest Partners 2013 Direct Fund. The investment focus of the Direct Fund is on co-investments, principally management buyouts, leveraged buyouts, recapitalizations, growth equity and special situations. The geographic focus is global, including Europe, United States, Asia-Pacific and emerging markets. The Fund is currently in the commitment stage with 11 investments closed, totaling \$312 million. The sale of one investment (Digital Insight) at 2.0 times cost generated a 300% gross internal rate of return due to a short holding period. The early strong performance of the Fund provides a foundation for significant appreciation in value. There is also a robust pipeline of highly-qualified co-investment opportunities.

After completing their presentation and addressing questions from the Committees and consultants, Messrs. Lane and Lipson left the meeting.

Eric Ralph reviewed the Monthly Flash Report as of June 30, 2014. Todd noted that the Fund returned 16.06% for the fiscal year, which is significantly ahead of the assumed actuarial rate of return. Eric noted that there will be a need to rebalance the portfolio. Summit will be looking at strategic allocation over the summer and early fall.

Next, Eric Ralph reviewed Summit Strategies Group's Private Equity Update as of July 24, 2014. Eric noted that the Plans have committed \$95.5 million to private equity funds of funds from 2007 to 2014. Of this amount, \$35.7 million has been drawn as of

March 31, 2014. The value of the private equity portfolio is \$43.7 million which represents a 1.22 multiple of capital drawn, including distributions of \$11.6 million.

For 2014, Howard County has made commitments of \$7.5 million to Greenspring VI and \$2.5 million to Greenspring Secondaries. Summit has recommended that the Plans commit an additional \$15 million to private equity in 2014. A \$30 million annual commitment is required to reach the target allocation by 2017 or 2018. Eric noted that the private equity portfolio is well-diversified but slightly underweight in the United States and debt/special situation strategies. Accordingly, Summit recommends a commitment of \$15 million to a special situation/debt-related fund. This recommendation is based on both portfolio allocation and market opportunity. Summit has identified two funds which are in its top tier fund of fund managers and occupy this space — Drum Special Situation Partners IV and NB Crossroads XX Special Situations.

Todd Allen asked for volunteers for an investment subcommittee to interview representatives of the two recommended funds of funds.

At 3:40 p.m., a motion was made by Richard Ruehl and seconded by Dale Chase to close the meeting as authorized by State Government Article Section 10-508(a)(7) to consult with counsel to obtain legal advice.

Todd Allen, Stanley Milesky, Lonnie Robbins, Richard Ruehl, Joseph Calo, Mark Thomey, Rafiu Ighile, Kim Drennon and Dale Chase all voted in favor of the motion. There were no negative votes or abstentions.

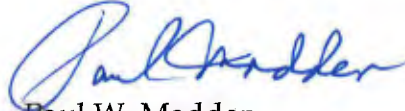
Gary Kuc joined the meeting for the discussion on the impact of County Council Bill No. 13-2014. Teresa Reider and Paul Madden were invited to attend the closed session. During the closed session, Gary Kuc discussed the applicability of Bill No. 13-2014 to the Committee. No action was taken.

At 4:08 p.m., the closed session adjourned and the Joint Committee returned to open session. At 4:09 p.m., a motion was made by Stanley Milesky and seconded by Joseph Calo to close the meeting as authorized by State Government Article Section 10-508(a)(1)(ii) to discuss a personnel matter that affects one or more specific individuals and Section 10-508(a)(7) to consult with counsel to obtain legal advice.

The following members of the Police and Fire Committee voted in favor of the motion: Todd Allen, Stanley Milesky, Lonnie Robbins, Joseph Calo, Mark Thomey and Richard Ruehl. Ray Wacks and Jason Luckenbaugh were absent. There were no negative votes or abstentions. All members of the Employees Plan Committee were excused. During the closed session of the Police and Fire Committee, members of the Committee discussed the pending appeal of the determination of a participant's line-of-duty disability benefits as non-catastrophic. No action was taken.

At 4:25 p.m., the closed session adjourned and the Committee returned to open session.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul W. Madden". The signature is fluid and cursive, with the first name "Paul" being more prominent.

Paul W. Madden  
Secretary of the Meeting

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